

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Inquiry Concerning the Deployment of)	
Advanced Telecommunications)	CC Docket No. 98-146
Capability to All Americans in a)	FCC 01-223
Reasonable and Timely Fashion, and)	
Possible Steps to Accelerate Such)	
Deployment Pursuant to Section 706)	
of the Telecommunications Act of 1996)	

**REPLY COMMENTS
OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION**

I. INTRODUCTION

The National Telephone Cooperative Association (NTCA) hereby submits these reply comments in response to the Federal Communications Commission's Third Notice of Inquiry (NOI) in the above-captioned proceeding.¹ NTCA is a national trade association representing more than 540 small and rural telephone companies, about half of which are cooperatively owned. All NTCA members are rural telephone companies as defined in 47 U.S.C. § 153(37). These companies are situated in the communities they serve and provide a wide range of high quality services to their subscribers.

NTCA recently surveyed its members about their broadband deployment. NTCA will release composite details about members' responses to questions concerning broadband speeds, deployment, subscribership and challenges in the near future. Preliminary results indicate that small, rural telephone companies are overcoming their

¹ *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996*, Third Notice of Inquiry, CC Docket No. 98-146, FCC 01-233 (rel. Aug. 10, 2001).

unique challenges and deploying broadband to rural America in a reasonable and timely fashion.

II. NTCA'S SURVEY INDICATES THAT NTCA MEMBERS ARE DEPLOYING ADVANCED SERVICES TO THE EXTENT IT IS TECHNICALLY AND ECONOMICALLY FEASIBLE

NTCA asked its members to provide information about their current broadband deployment and future plans. Broadband for purposes of the survey was defined as the ability to transmit at speeds of at least 200 kbps both upstream and downstream. Slightly less than half of NTCA's members responded to the survey. The average survey respondent serves 5,810 residential access lines and 1,478 business access lines. More than 66% of survey participants plan to offer broadband to all of their subscribers by the end of 2001.

NTCA members were specifically questioned about broadband service to schools, governmental buildings, libraries and other "public centers." Almost 80% of respondents are offering broadband to all of the public centers in their service territory. However, only 15% have take rates of between 90 to 100 percent. Thirty-five percent have no public center broadband subscribers.

When questioned about the level of service currently provided, 20% of respondents say that they offer at least 200 kbps downstream to more than 90% of their customers. By the end of 2002, 43% of members expect to offer at least 200 kbps downstream to virtually all of their subscribers. Thirty-eight percent of respondents say they currently offer speeds of between 57 and 200 kbps in both directions to at least half of their subscribers. The price for such service generally ranges between \$30 and \$60 per month.

Looking forward, 89% of respondents plan to offer speeds of between 201 and 500 kbps both upstream and downstream to some portion of their service territory by the end of the year 2002. Seventy-nine percent plan to offer speeds greater than 1 Mbps by the end of 2002.

The technology most often used by NTCA survey participants to provide broadband service is xDSL. Other technologies mentioned include cable modems, elastic networks, the Ethernet, and T1 lines.

Clearly, NTCA members are committed to their communities. They provide a level of service unavailable to rural consumers served by larger carriers. However, there are significant barriers impeding the rural carriers' ability to offer broadband to 100% of their subscribers. Cost was most often cited as the major impediment. Rural telephone companies serve harsh terrain with very low population densities. Other barriers included lack of demand, long loops, and a lack of cost effective equipment. Of the survey participants that offer DSL service, 97% have subscribership rates of less than 25%.

Competition does not appear to be a major factor in the provision of broadband services in rural areas. 42% of respondents say they have no competitors offering broadband in their service territory. Only 2% have more than three competitors.

III. THE COMMISSION SHOULD TAKE ACTION TO ACCELERATE DEPLOYMENT OF ADVANCED SERVICES IN AREAS SERVED BY RURAL TELEPHONE COMPANIES

NTCA agrees with OPASTCO that there are certain actions the Commission can take that will accelerate deployment of advanced services.² As OPASTCO argues, the

² Comments of the Organization for the Promotion and Advancement of Small Telecommunications Companies, pp. 4-6 (September 24, 2001).

Commission should freeze the current rate of return, adhere to the mandates of Section 309(j), and permit accelerated depreciation for broadband infrastructure investments.

A. Authorized rate of return

Regulatory uncertainty plagues the telephone industry and causes hesitation in infrastructure investment. The authorized rate of return for non-price cap carriers should remain constant and provide rural carriers much needed stability as they prepare for the future. A rate of return of less than the current 11.25% is insufficient and will discourage companies from investing in the future of their communities.

B. Section 309(j)

Further, as NTCA has repeatedly argued, the Commission should adhere to the mandates of Section 309(j) of the Communications Act of 1934, as amended. Section 309(j) directs the Commission to promote policies for the good of people living in rural America and to provide spectrum opportunities for rural telephone companies. Despite these clear Congressional directives to the contrary, the Commission continues to adopt spectrum policies and rules that made it virtually impossible for small rural carriers to compete in the wireless future. Respondents to a soon to be released NTCA wireless survey indicate that more than 77% of respondents do not intend to participate in future FCC spectrum auctions. They are frustrated by the high cost of spectrum and their inability to compete with large carriers at auction. The trend toward large geographic service territories favors large carriers. The successful large carriers are not interested in serving the less profitable rural territory. The rural consumer is ultimately left with fewer service options than those living in urban areas.

Unless the Commission licenses spectrum according to small geographic service territories or otherwise provides rural carriers with access to spectrum, wireless broadband service is unrealistic in many rural areas.

C. Accelerated depreciation

NTCA agrees with OPASTCO that an accelerated depreciation schedule for broadband network upgrades is necessary.³ Technological breakthroughs cause equipment to become obsolete quickly. Carriers must have confidence that they will be permitted to recover their capital investments in order to encourage further broadband investment without hesitation.

³ Comments of OPASTCO, p. 6.

IV. CONCLUSION

Preliminary results from NTCA's 2001 broadband survey indicate that rural carriers are moving forward with their broadband deployment plans as set forth in 2000. Cost remains the biggest obstacle. The Commission can and should remove regulatory barriers to investment and should create an environment of regulatory stability that permits recovery of capital investment.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Reply Comments of the National Telephone Cooperative Association in CC Docket No. 98-146, FCC 01-223 was served on this 9th day of October 2001 by first-class, U.S. Mail, postage prepaid, to the following persons

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